

EXHIBIT 1

INTRODUCTION

Respondent Frank Russo was an unsuccessful candidate for the California State Assembly in a special election held on February 2, 1999. Frank Russo for Assembly Special Election Committee (“Committee”) was the controlled committee of Respondent Frank Russo. The Franchise Tax Board (the “FTB”) audited the Committee’s activities from January 1, 1998 to June 30, 1999. The FTB presented its findings to the Fair Political Practices Commission on or about March 31, 2000.

For the purposes of this Stipulation, Respondents’ violations of the Political Reform Act (the “Act”)¹ are stated as follows:

- COUNT 1: In a first pre-election campaign statement filed on January 5, 1999, for the reporting period July 1 to December 19, 1998, Respondents failed to disclose occupation and employer information for approximately 100 individual contributors, in violation of Section 84211, subdivision (f).
- COUNT 2: In a second pre-election campaign statement filed on January 22, 1999, for the reporting period December 20, 1998 to January 16, 1999, Respondents failed to disclose occupation and employer information for approximately 30 individual contributors, in violation of Section 84211, subdivision (f).
- COUNT 3: In a second pre-election campaign statement filed on January 22, 1999, for the reporting period December 20, 1998 to January 16, 1999, Respondents failed to disclose and itemize 21 contributions of \$100 or more totaling \$6,950, in violation of Section 84211, subdivision (f).
- COUNT 4: On and between January 28, 1999 and January 29, 1999, Respondents accepted four campaign contributions in excess of the \$1,000 contribution limit, in violation of Section 85305, subdivision (c)(1).
- COUNT 5: Respondents failed to file a late contribution report by January 23, 1999, to reflect three late contributions that Respondents received on January 22, 1999, in violation of Section 84203, subdivision (a).
- COUNT 6: Respondents failed to file a late contribution report by January 26, 1999, to reflect five late contributions that Respondents received on January 25, 1999, in violation of Section 84203, subdivision (a).

¹ The Political Reform Act is contained in Government Code sections 81000 through 91014. All statutory references are to the Government Code unless otherwise indicated. The regulations of the Fair Political Practices Commission appear at California Code of Regulations, Title 2, sections 18109-18996. All regulatory references are to Title 2 of the California Code of Regulations.

COUNT 7: Respondents failed to file a late contribution report by January 27, 1999, to reflect two late contributions that Respondents received on January 26, 1999, in violation of Section 84203, subdivision (a).

COUNT 8: Respondents failed to file a post-election semi-annual campaign statement, for the reporting period January 17 to June 30, 1999, by the August 2, 1999 due date, in violation of Section 84200, subdivision (a).

RESPONDENTS: Frank Russo and Frank Russo for Assembly Special Election Committee.

SUMMARY OF THE LAW

An express purpose of the Act, as stated in Section 81002, subdivision (a), is to ensure that contributions and expenditures affecting election campaigns are fully and truthfully disclosed to the public, so that voters will be better informed and improper practices inhibited. To that end, the Act sets forth a comprehensive campaign reporting system designed to accomplish this purpose of disclosure.

Duty to File Semi-annual Campaign Statements

Section 84200, subdivision (a) requires candidates and their controlled committees to file two semi-annual campaign statements each year. They must file a semi-annual campaign statement by July 31, reporting campaign activity during the preceding January 1 through June 30 reporting period. They must also file a semi-annual campaign statement by January 31 of the following year, reporting campaign activity during the preceding July 1 through December 31 reporting period. Under Section 84214, as interpreted by Regulation 18404, candidates and their controlled committees may end their filing obligations by filing a statement of termination.

Duty to File Pre-Election Campaign Statements

Section 84200.5 requires candidates and their controlled committees to file two pre-election campaign statements, disclosing contributions received and expenditures made before the election in which the candidate is running. Section 84200.8 sets forth the pre-election filing schedule for elections held in odd-numbered years. Under that statute, the first pre-election campaign statement must be filed no later than 40 days before the election, covering the period ending 45 days before the election. The statute further provides that the second pre-election campaign statement must be filed no later than 12 days before the election, for the period ending 17 days before the election.

Duty to File Late Contribution Reports

When a candidate receives a "late contribution," Section 84203, subdivision (a) requires the candidate and his or her controlled committee to file a late contribution report within 24 hours of receiving the contribution. A "late contribution" is defined in Section 82036 as a contribution aggregating \$1,000 or more, that is received before an election, but after the closing

date of the last pre-election statement. Under Section 84200.8, subdivision (b), the late contribution period for special elections is the last 16 days before the election.

Duty to Itemize Contributor Information on Campaign Statements

For contributions totaling \$100 or more, Section 84211, subdivision (f) requires candidates and their controlled committees to itemize on each semi-annual and pre-election campaign statement the following information about the contributor: (1) his or her full name and street address; (2) his or her occupation, and the name of his or her employer, or if self-employed, the name of his or her business; (3) the date and amount of each contribution; and (4) the cumulative amount of contributions received from the contributor.

Special Election Contribution Limits

Government Code section 85305, subdivision (c)(1), as it was in effect in 1999, imposes a contribution limit of \$1,000 per election in special elections. That section provides:

“No person shall make, and no candidate for elective office, or campaign treasurer, shall solicit or accept any contribution or loan which would cause the total amount contributed or loaned by that person to that candidate, including contributions or loans to all committees controlled by the candidate, to exceed one thousand dollars (\$1,000) during any special election cycle or special runoff election cycle.”²

SUMMARY OF THE FACTS

Respondent Frank Russo was an unsuccessful candidate for the California State Assembly in a special election held on February 2, 1999. Frank Russo for Assembly Special Election Committee was the controlled committee of Respondent Frank Russo. Between January 1, 1998 and June 30, 1999, Respondents received \$290,216 in contributions and made \$341,585 in expenditures.

COUNTS 1-2

Failure to Report Occupation and Employer Information

Respondents had a duty to disclose occupation and employer information for each individual who contributed \$100 or more to Respondent Frank Russo's campaign. Before the February 2, 1999 Special Election, Respondents filed two pre-election campaign statements, one on January 5, 1999 and the other on January 22, 1999. According to the Committee's two pre-election campaign statements, approximately 295 separate individuals made contributions of \$100 or more to the committee. Of those 295 contributors, Respondents failed to disclose the occupation and employer for approximately 130 of the contributors. By failing to disclose

² On November 7, 2000, California voters passed Proposition 34. Proposition 34, which took effect on January 1, 2001, changed the special election contribution limits. See Government Code section 85314.

occupation and employer information for approximately 130 contributors, Respondents violated Section 84211, subdivision (f).

COUNT 3

Failure to Itemize on a Campaign Statement Contributors of \$100 or More

Respondents had a duty to itemize information about any contributor who contributed \$100 or more to Respondent Frank Russo's campaign. On January 22, 1999, Respondents filed a pre-election campaign statement, for the reporting period December 20, 1998 to January 16, 1999. During this period, Respondents received 21 contributions of \$100 or more, totaling \$6,950, for which they did not disclose or itemize information. Four of the 21 contributions were \$1000 each. By failing to provide itemized information regarding the sources of the 21 campaign contributions, Respondents violated Section 84211, subdivision (f).

COUNT 4

Accepting Contributions In Excess of the Special Election Contribution Limit

During their election campaign, Respondents were prohibited from accepting any campaign contribution that exceeded the \$1,000 special election contribution limit applicable to individual contributors. In December 1998 and January 1999, Respondents received contributions from four individuals totaling \$2,000 per contributor. The cumulative total of these contributions exceeded the \$1,000 special election contribution limit that was in effect at the time the contributions were made.

Contributor	Date	Amount	Total
Lester Friedman	12/09/98	\$500	\$2,000
	01/15/99	\$500	
	01/29/99	\$1,000	
Joseph C. Gallas	12/09/98	\$1,000	\$2,000
	01/28/99	\$1,000	
James Vandersloot	12/09/98	\$1,000	\$2,000
	01/28/99	\$1,000	
Sandra Vandersloot	12/09/98	\$1,000	\$2,000
	01/28/99	\$1,000	

By accepting four excessive contributions, Respondents violated Section 85305.

COUNTS 5-7

Failure to File Late Contribution Reports

During the last 16 days before the special election, Respondents had a duty to report any contribution of \$1,000 or more, on a late contribution report, within 24 hours of receiving the contribution. From January 17 to February 1, 1999, Respondents received 27 late contributions, each totaling \$1,000 or more. Respondents reported 17 of these contributions totaling \$17,000, on four late contribution reports. However, Respondents did not file late contribution reports disclosing the remaining 10 late contributions totaling \$19,000. One of the late contributions

was a personal loan of \$10,000 from Respondent Frank Russo to his controlled committee. The unreported contributions were as follows:

Counts	Date	Contributor	Amount
Count 5	01/22/99	Lilly A. Gwilliam	\$1,000
		James R. Chiosso	\$1,000
		Gwilliam, Ivary, Chiosso, et al	\$1,000
Count 6	01/25/99	Richard A. Nolan	\$1,000
		Barbara Stegner	\$1,000
		Steven Spindel	\$1,000
		Wax & Wax	\$1,000
		Frank Russo	\$10,000
Count 7	01/26/99	Los Angeles Turf Club, Inc.	\$1,000
		Haider Spine Center	\$1,000

By failing to file three late contribution reports disclosing the 10 late contributions, Respondents committed three violations of Section 84203.

COUNT 8

Failure to File a Semi-annual Campaign Statement

After the February 2, 1999 special election, Respondents had a duty to file a semi-annual campaign statement by August 2, 1999, for the reporting period January 17 to June 30, 1999. During this period, Respondents received \$115,383 in contributions and made \$106,208 in expenditures. Approximately 90 percent of the contributions were required to be itemized. Respondents did not file the semi-annual statement by the August 2, 1999 due date.

On June 23, 2000, the Political Reform Division of the California Secretary of State's Office sent a letter to Respondents advising them that their August 2, 1999 semi-annual campaign statement became past due. Respondents did not file the semi-annual campaign statement in response to this notification. On or about December 3, 2001, after receiving a letter from the Enforcement Division of the Fair Political Practices Commission, Respondents filed the August 2, 1999 semi-annual campaign statement more than two years late. By failing to timely file the semi-annual campaign statement, Respondents violated Section 84200, subdivision (a).

CONCLUSION

This matter consists of eight counts, which carry a maximum possible penalty of Sixteen Thousand Dollars (\$16,000).

Regarding Counts 1 and 2, the failure to report occupation and employer information for individuals who contributed \$100 or more is a very serious violation, especially as it occurred during an election that was subject to contribution limits. Therefore, the imposition of the maximum penalty of \$2,000 for each of the two violations, for a total of \$4,000, is appropriate.

Regarding Count 3, the typical administrative penalty for failing to itemize contributions of \$100 or more ranges from One Thousand to Two Thousand Dollars (\$1,000 to \$2,000). The failure to itemize 21 contributors of \$100 in the context of this case is substantial enough to justify a penalty in the middle of that range. Therefore, an administrative penalty of \$1,500 is appropriate for this violation.

Regarding Count 4, accepting contributions that exceed the contribution limit is a very serious violation that would normally call for the imposition of a maximum penalty. In this case, however, only four of the several hundred contributions received by Respondents exceeded the contribution limit. Therefore, an administrative penalty of \$1,700, which is slightly less than the maximum penalty, is appropriate for this violation.

Regarding Counts 5 through 7, the typical administrative penalty for failing to file a late contribution report under the Commission's streamlined enforcement program is 15 percent of the amount of the undisclosed contributions in each report. As the largest late contribution was from Respondent Frank Russo himself, and not from some previously unknown contributor, imposition of the standard penalty, which in this case would be \$2,800, is appropriate.

Regarding Count 8, the typical administrative penalty for failing to file a post-election, semi-annual campaign statement ranges from Five Hundred Dollars to One Thousand Five Hundred Dollars (\$500 to \$1,500). Because Respondents' failure to file the semi-annual campaign statement concealed a significant number of contributions and expenditures, imposition of the maximum penalty of \$2,000 is appropriate for this violation.

Accordingly, the facts of this case justify imposition of the agreed upon penalty of Twelve Thousand Dollars (\$12,000).